

**PROJECT SPECIFIC ADDENDUM # TO THE MASTER AGREEMENT FOR  
GOVERNMENT REINVENTION AND PROJECT SERVICES  
(STATE APPEAL BOARD REINVENTION)**

This Addendum is entered into by and between the State Appeal Board (herein Board) and the Public Strategies Group (herein PSG).

## **I. Purpose**

Through this addendum the State Appeal Board and The Public Strategies Group express their desire to work together to improve and strengthen the Board processes and its results. The legislature enacted language for the purpose expressed in SF 2298, which states “(f)or the fiscal year beginning July 1, 2004, the state appeal board may pay out of any moneys in the state treasury not otherwise appropriated for costs associated with streamlining and improving the state appeal board process.”

Overall, the members of the State Appeal Board seek to reduce the annual expenditures from the Board’s standing unlimited fund through:

- Increasing the fiscal discipline and accountability for individual departments for the expenditure of funds through the State Appeal Board, and
- Improving the ability of the state to limit and manage incidents that lead to liabilities, including the financial tracking of liabilities.

Further, the members of the State Appeal Board seek to streamline the claims processes to ease the burden for citizens, Board staff, and state government.

## **II. Scope of Services and Obligations of the Parties**

Within the scope of this addendum, PSG will provide the following services:

- 1) Review Current Operation  
PSG will conduct a high level analysis of the current system, including interviews with stakeholders, analysis of annual operating data, review of prior claims, and comparisons to similar practices nationwide.

Interviews with stakeholders will include the members of the of the State Appeal Board, Board support staff, representatives of the attorney general’s

office, department directors, and other staff within state government that are involved with the claims process or claims issues.

Deliverables

- A report assessing the current situation that identifies strengths, weaknesses, and opportunities for improvement.

2) Develop Work Plan

PSG will develop a work plan that lays out specific deliverables, expectations, and timelines for phases 3, 4 and 5 below.

Deliverables

- A work plan to:
  - Redesign the structure,
  - Streamline processes, and
  - Facilitate the Board's decision on whether to proceed with redesign and implementation of the redesigned system.

3) Decision on Process Redesign

After the work plan is delivered, PSG will facilitate feedback from the Board regarding the identified strengths, weaknesses and opportunities for improvement resulting from PSG's review of current operations and PSG's proposed work plan. The Board will determine if there is sufficient interest to pursue implementation of the proposed work plan to redesign the Appeal Board process. If there is not sufficient interest to proceed, the addendum will end and PSG will be compensated only for the deliverables completed.

4) Redesign of the Appeal Board Process

In this phase PSG will develop a redesign of the existing system that, if implemented, will:

- Reduce the cost of individual claims by applying appropriate best practice claims management; and
- Reduce total cost of claims by creating a system to reduce and minimize liabilities, including creating increased accountability throughout the system.

Working in consultation with the members of the State Appeal Board and other stakeholders within state government, PSG will use its Design Lab™ process to develop a redesign approach for claims and claims processing.

The Public Strategies Group developed the "Design Lab™" methodology to help the public sector develop creative new approaches to the delivery of

public services. Design Labs™ are intensive, structured sessions ranging from 1/2 day to one week. Lab participants (usually from 6-12 creative thinkers) engage in a step-by-step process to "invent" new approaches or designs. PSG staff both facilitates the Design Lab™ and provides creative resources to participate in the lab.

While no lab has been exactly the same, a lab often entails the following:

- A thorough challenge of the existing assumptions of the current system;
- A presentation and discussion of the current system's strengths and opportunities for improvement;
- A presentation of reinventing ideas and theories from other locations;
- An open process for designing new service delivery alternatives; we work first with design principles or "features," then deepen the ideas using dyads or small groupings.

The analysis from Phase 1 above will form the foundation for the Design Lab.™ We estimate this design lab will be between two and three days in length.

PSG will organize, lead, and facilitate the Design Lab. The Board will provide information necessary for the Design Lab™ and recruit participants for the lab who fit a profile provided by PSG. The result of the lab will be a written report laying out a proposed solution(s) to the problem presented. Designs are typically akin to high-level architectural drawings, not detailed schematics.

#### Deliverable

- A redesign of the existing structure that will include a high-level overview of recommended changes and its expected impact, necessary legislative or rule changes, and a framework for implementation, including additional services, staff or other resources that may be required. (A detailed implementation plan will be developed in Step 6 below.)

#### 5) Streamlining Claims Processes

PSG will utilize a special kaizen process to assist an identified team to redesign the different claims systems of the Board. The review and redesign of both general and administrative claims will be included in this effort. This team should be empowered to make actual implementation decisions.

#### Deliverable

- Redesigned processes for claims made to the Board.

#### 6) Decision on Implementation

After the architecture for a redesigned system is delivered PSG will facilitate feedback from the Board regarding the recommended design changes. Part of this process will be the development of cost estimates and a general time frame for implementing the recommended changes. Additionally, the Board and PSG shall determine the method by which the Board will compensate PSG for its participation in the implementation process if implementation proceeds. The compensation method shall be adopted by an additional addendum to the master agreement prior to implementation of a redesigned system. The Board and PSG will mutually determine if there is sufficient interest to pursue implementation of the recommended design changes. If there is not sufficient interest to proceed, the addendum will end without implementation; and PSG will be compensated only for the deliverables completed.

#### Deliverable

- A decision by the State Appeal Board on whether to proceed with implementation of the redesigned system.

#### 7) Implementation of the Redesigned System

If the Board decides to proceed with implementation, a detailed implementation work plan will be prepared with PSG and the Board staff working closely together. As implementation proceeds, PSG would provide guidance and coaching on the implementation of the redesign, including actuarial assistance, training and workshops, as well as consultation with Legislators and staff as requested.

#### Deliverables

- Work plan that describes specific products, responsibilities, expectations, and timelines for implementation.
- Implemented design changes, as identified in the design framework and agreed upon by the members of the State Appeal Board.
- Training and coaching, as requested.

### **State Obligations**

- 1) The members of the State Appeal Board and the Iowa Department of Management (IDOM) will ensure that all appropriate staff, department directors and department staff, and members of the State Appeal Board will be available for information or participation in decision-making meetings as appropriate.
- 2) The Attorney General's Office and IDOM will provide data for analysis.

- 3) The Board and IDOM will provide individuals with authority to make appropriate decisions about the Design Lab™, Design Lab™ products, and Streamlining Claims Processes.
- 4) The State will assign proper resources and accountabilities to support fully the purposes of this Addendum.

### III. Compensation

PSG will be paid only for *results*. For this addendum there are two types of results sought by the Board: **redesign deliverables** that present a new architecture for the claims processing system, and **system outcomes** defined as real, measurable improvements to claims system performance.

The compensation for redesign deliverables will cover deliverables 1-6 and will be completed within the current fiscal year 2005. Proceeding with the Implementation deliverable and the compensation for Improved System Outcomes will be contingent on legislative authorization for the Appeal Board to proceed.

#### Compensation for Redesign Deliverables

PSG's all-inclusive price is \$137,000. This includes completion of all the deliverables specified in the project's first five phases:

1. Assessment Report	\$30,000
2. Work Plan	\$ 5,000
3. Decision on Process Design	
4. Redesign of Current Appeal Process	\$56,000
5. Streamlined Claims Process	\$46,000
6. Decision on Implementation	

This price includes any and all costs that PSG incurs in delivering these results (e.g., actuarial assistance, staff time, subcontractor expense, process engineers, travel). The Board will make progress payments based on amounts above within 15 days of the certification of deliverables.

#### Certification of Redesign Deliverables

PSG will present auditable evidence of completion of a redesign deliverable and an invoice to trigger certification by the Director of IDOM. The Board will determine whether the deliverable meets the requirements of the addendum. Upon receipt and within ten working days, IDOM will either certify and initiate payment or respond with questions, requests for additional information, or other explanation. IDOM will certify and initiate payment when it is satisfied with the deliverable. IDOM will prepare the certification documents.

For The Public Strategies Group, Inc.

For the State Appeal Board

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